

**Morehouse Community Medical Centers, Inc.**  
**Bastrop, Louisiana**

**Annual Financial Report**  
**As of and for the Year Ended July 31, 2014**

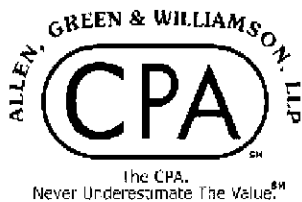


Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana

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## **Independent Auditor's Report**

The Board of Directors  
Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Morehouse Community Medical Centers, Inc., (a non-profit organization), which comprise the statement of financial position as of July 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Community Medical Centers, Inc. as of July 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 on our consideration of Morehouse Community Medical Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morehouse Community Medical Centers, Inc.'s internal control over financial reporting and compliance.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
November 11, 2014

MOREHOUSE COMMUNITY MEDICAL CENTERS, INC.

STATEMENT OF FINANCIAL POSITION

July 31, 2014

	Statement A
<b><u>ASSETS</u></b>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 818,902
Investments	328,289
Receivables, net	201,369
Prepaid expenses	60,824
Other assets	3,920
	<hr/>
Total current assets	1,413,304
Property and equipment, net	1,452,822
	<hr/>
TOTAL ASSETS	2,866,126
	<hr/> <hr/>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
CURRENT LIABILITIES	
Accounts payable	94,018
Accrued paid time off - current	35,046
Deferred revenue	10,000
Mortgage/Loan payable - current	38,506
	<hr/>
Total current liabilities	177,570
	<hr/>
NONCURRENT LIABILITIES	
Accrued paid time off - noncurrent	17,217
Mortgage payable	116,512
Loan payable	128,272
	<hr/>
Total noncurrent liabilities	262,001
	<hr/>
TOTAL LIABILITIES	439,571
	<hr/>
NET ASSETS	
Unrestricted	2,426,555
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 2,866,126
	<hr/> <hr/>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MOREHOUSE COMMUNITY MEDICAL CENTERS, INC.

**STATEMENT OF ACTIVITIES**  
For the Year Ended July 31, 2014

	<b>Statement B</b>
	<b><u>UNRESTRICTED</u></b>
REVENUES, GAINS AND OTHER SUPPORT:	
Net patient service revenue	\$ 2,256,609
Grant revenue	1,697,149
Other miscellaneous revenue	<u>90,970</u>
Total revenues, gains and other support	<u>4,044,728</u>
EXPENSES AND LOSSES:	
Direct program expenses	3,018,935
Supporting Services Expense:	
Administrative expenses	571,500
Interest expense	10,497
Depreciation expense	<u>68,025</u>
Total supporting services expense	<u>650,022</u>
Total expenses and losses	<u>3,668,957</u>
Change in net assets	375,771
NET ASSETS - BEGINNING OF YEAR	<u>2,050,784</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,426,555</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**MOREHOUSE COMMUNITY MEDICAL CENTERS, INC.**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended July 31, 2014**

	<b>Statement C</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 375,771
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	68,025
(Increase) decrease in:	
Patient receivable	(46,214)
Prepaid expenses	(21,974)
Other assets	51,267
(Decrease) increase in:	
Accounts payable	(56,991)
Deferred revenue	5,000
Accrued paid time off	18,941
Mortgage payable	(23,199)
Loan payable	139,819
	<hr/>
Net cash provided (used) by operating activities	510,445
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of property and equipment	(491,393)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(328,289)
	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(309,237)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,128,139
	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 818,902
	<hr/> <hr/>
 <b>INTEREST PAID DURING THE YEAR</b>	 \$ 10,497
	<hr/> <hr/>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statement**  
**July 31, 2014**

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**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Corporate Purpose** Morehouse Community Medical Centers, Inc. was organized without capital stock under Louisiana laws on November 15, 2002, as a non-profit corporation for the purpose of operating one or more community health centers for the public and/or providing medical care or medical education for the benefit of the public. The Board of Directors of Morehouse Community Medical Centers, Inc. is comprised of ten members who serve without paid compensation.

**Income Taxes** Morehouse Community Medical Centers, Inc. is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

The Morehouse Community Medical Centers, Inc. Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2012 and 2013 are subject to examination by the IRS, generally for 3 years after they were filed.

**Fiscal Cycle** Morehouse Community Medical Centers, Inc.'s fiscal year is August 1<sup>st</sup> through July 31<sup>st</sup>.

**Budgetary Planning and Control** Once Morehouse Community Medical Centers, Inc. determines the activities to undertake for the coming year(s), the budget is prepared to translate those goals, objectives, and plans into revenue and expense figures. The Chief Executive Officer develops the budget in collaboration with the executive staff with input obtained from others such as other senior management. The governing board's finance committee reviews and approves both the operating and capital expense budgets. Once approved, the budgets are submitted to the full board for review and approval. Budgets are reviewed quarterly and revised if deemed necessary. A continuing actual to budget comparison is prepared monthly with year-to-date figures in adequate detail to provide basic comparative data to staff responsible for expenses or revenues.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, Morehouse Community Medical Centers, Inc. considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Revenues** Morehouse Community Medical Centers, Inc. receives income from patient billings, federal sources, and state sources.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Rental of Facilities** Morehouse Community Medical Centers, Inc. entered into a Memorandum of Agreement with Morehouse Parish School Board for the use of space at Morehouse Jr. High School. This space is used for the School Based Health Clinic provided by Morehouse Community Medical Centers, Inc. with both parties providing specific services in a cooperative endeavor agreement. This agreement is for ten years ending October 1, 2019. Morehouse Community Medical Centers, Inc. receives the use of this space rent free from the School Board.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2014**

**Net Patient Service Revenue** Net patient service revenue is patient revenue reported at Morehouse Community Medical Centers, Inc.'s established rates less contractual adjustments and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Morehouse Community Medical Centers, Inc. has agreements with third-party payers that provide reimbursement to the Morehouse Community Medical Centers, Inc. at amounts different from its established rates. Contractual adjustment under third-party reimbursement programs represent the difference between the Morehouse Community Medical Centers, Inc.' rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

Medicare - Fee For Service - Reimbursed on one rate regardless of the services provided.

Medicaid - Fee For Service - Reimbursed on one rate regardless of the services provided.

Blue Cross - Fee For Service - Reimbursed on Blue Cross Fee Schedule.

Commercial - Fee For Service - Reimbursed per contract or per payor's allowable fee schedule.

The following is a summary of contractual and other adjustments to arrive at net patient service revenues for the year ended July 31, 2014:

Gross patient service revenue	\$ 3,466,375
Less contractual adjustments	
Medicare	25,990
Medicaid	388,438
Other third parties	739,259
Bad debt expense	<u>56,079</u>
Net patient service revenue	<u><u>\$ 2,256,609</u></u>

Approximately eighty four percent of the net patient service revenue comes from Medicaid billings.

**Property and Equipment** Property and equipment acquisitions exceeding \$5,000 are recorded at cost. Property and equipment donated for Morehouse Community Medical Centers, Inc. operations are valued at their fair market value as of the date received.

All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the useful lives as follows:

Land improvements	10-30 years
Buildings	15-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2014**

**Compensated Absences** The policy states the following:

The amount of paid time off (PTO) accrual or credit is based on the number of months/years of continuous service as shown in the following schedule:

<u>LENGTH OF SERVICE</u>	<u>PTO HOURS EARNED</u>
0-90 days	None
90 days - 1 year	80 hours
Each additional year of service	8 hours/year to a max of 160 hours

\*Note: On the employee's one year anniversary date, the employee will be eligible to begin earning an extra 8 hours of PTO per year.

<u>LENGTH OF SERVICE</u>	<u>SICK HOURS EARNED</u>
0-90 days	None
90 days - 1 year	48 hours
Each additional year of service	4 hours/year to a max of 80 hours

\*Note: On the employee's one year anniversary date, the employee will be given an additional 4 hours sick time. For example, an employee whose anniversary date is in June will be given 48 hours of sick time in January, then an additional 4 hours in June. The following January the employee will start with 52 hours of sick time. Sick time shall be prorated at 4 hours per month for all new employees.

LENGTH OF SERVICE - HOLIDAYS EARNED

After 90 days, all full-time employees will be paid their base rate for 8 holidays per year. Holiday pay is based on the employee's normal scheduled hours for the applicable shift. Additional holidays may be added by upon Board approval.

PTO shall be earned each pay period on an accrual basis. For example, an employee with 3 years of service would earn 3.69 hours per pay period.

If employees terminate employment and have accrued but unused vacation days, they will be paid for those days on their final paycheck. Unused sick days and holidays will be forfeited at the end of each calendar year.

If an employee's length of service changes within a pay period (as opposed to the beginning of a pay period) the PTO accrual will change at the beginning of the following pay period. All part-time to full-time and full-time to part-time changes must be effective at the beginning of a pay period.

Morehouse Community Medical Centers, Inc. offers a benefit plan which includes health insurance coverage for employees and dependents in which the cost is split between the employer and the employee. The benefit plan also includes basic life insurance and a pension plan. The cost of the basic life is paid 100% by Morehouse Community Medical Centers, Inc. and Morehouse Community Medical Centers, Inc. contributes 5% of the employees' base salary to the pension plan.

**NOTE 2 - DEPOSITS** At July 31, 2014, Morehouse Community Medical Centers, Inc. carrying amount of deposits was \$1,147,191 (Cash and cash equivalents of \$818,902 and investments of \$328,289). Deposits are stated at cost, which approximates fair value. These deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2014**

securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At year end, Morehouse Community Medical Centers, Inc.'s carrying amount of deposits was \$1,147,191 and the bank balance was \$1,148,250 all of which was covered by federal deposit insurance or by the securities investor protection corporation.

**NOTE 3 - ACCOUNTS RECEIVABLE** Accounts receivable, net of allowance was \$201,369 at July 31, 2014, consists of \$130,762 due for patient billings and \$70,607 receivable for the 330 grant. An allowance for doubtful accounts of \$41,400 has been established for those patient accounts deemed uncollectible by management.

**NOTE 4 - PROPERTY AND EQUIPMENT** The balances and changes in property, plant, and equipment as of and for the year ended July 31, 2014 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Asset type:				
Non-depreciable assets:				
Land	\$ 99,851	\$ -	\$ -	\$ 99,851
Construction in progress	-	188,008	-	188,008
Total non-depreciable assets	<u>99,851</u>	<u>188,008</u>	<u>-</u>	<u>287,859</u>
Depreciable assets:				
Buildings	857,089	-	-	857,089
Furniture and equipment	272,442	6,318	-	278,760
Vehicles	53,059	297,067	-	350,126
Total depreciable assets	<u>1,182,590</u>	<u>303,385</u>	<u>-</u>	<u>1,485,975</u>
Accumulated depreciation:				
Buildings	105,422	34,256	-	139,678
Furniture and equipment	103,330	22,938	-	126,268
Vehicles	44,235	10,831	-	55,066
Total	<u>252,987</u>	<u>68,025</u>	<u>-</u>	<u>321,012</u>
Total depreciable assets	<u>929,603</u>	<u>235,360</u>	<u>-</u>	<u>1,164,963</u>
Total Property and Equipment, net	<u>\$ 1,029,454</u>	<u>\$ 423,368</u>	<u>\$ -</u>	<u>\$ 1,452,822</u>

**NOTE 5 - COMMITMENTS AND CONTINGENCIES** Morehouse Community Medical Centers, Inc. has a secured line of credit with a local bank. The line of credit is for \$150,250 and the outstanding balance as of July 31, 2014 was \$0.

Additionally, Morehouse Community Medical Centers, Inc. is involved in litigation. It is the opinion of legal counsel that the ultimate resolution of this lawsuit would not materially affect the financial statements.

**NOTE 6 - SUBSEQUENT EVENTS** Management has evaluated subsequent events through November 11, 2014 the date which the financial statements were available to be issued.

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2014**

**NOTE 7 - LONG TERM LIABILITIES** The following is a summary of the long-term obligations transaction for the year ended July 31, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Mortgage Payable	\$ 166,670	\$ -	\$ 23,199	\$ 143,471	\$ 26,959
OIB Loan	-	143,266	3,447	139,819	11,547
Total	<u>\$ 166,670</u>	<u>\$ 143,266</u>	<u>\$ 26,646</u>	<u>\$ 283,290</u>	<u>\$ 38,506</u>

The following is the obligation detail:

	Original Issue	Interest Rate	Maturity Date	Principal Outstanding	Interest Outstanding
Mortgage Payable	\$ 260,611	4.55%	6/1/2019	\$ 143,471	\$ 16,247
OIB Loan	143,266	4.70%	3/15/2019	139,819	24,807
Total				<u>\$ 283,290</u>	<u>\$ 41,054</u>

The obligation is due as follows:

Year Ending July 31,	Principal Payments	Interest Payments	Total
2015	\$ 38,506	\$ 12,319	\$ 50,825
2016	40,082	10,501	50,583
2017	41,435	8,538	49,973
2018	42,827	6,522	49,349
2019	120,440	3,174	123,614
Total	<u>\$ 283,290</u>	<u>\$ 41,054</u>	<u>\$ 324,344</u>

Morehouse Community Medical Center, Inc. purchased a building in June 2009 for \$260,611. The mortgage was refinanced and now has a maturity date of June 1, 2019. The principal amount refinanced was \$203,558. The mortgage is payable monthly and matures June 1, 2019 with an interest rate of 4.55%.

Morehouse Community Medical Center, Inc. has begun construction on a school based clinic in February 2014, in which part of the construction is being funded by a loan of \$143,266 that was signed on March 14, 2014 at an interest rate of 4.7%. The loan is payable monthly and matures on March 15, 2019.

**NOTE 8 - COMPENSATED ABSENCES** For the year ended July 31, 2014 Morehouse Community Medical Centers, Inc. had \$52,263 of accrued Paid Time Off –Vacation.

**NOTE 9 - RETIREMENT** Morehouse Community Medical Centers, Inc. established a SEP plan effective January 1, 2008. All employees are eligible to participate after one year of service. The plan is a defined contribution plan administered by Aim Investments. Under the plan Morehouse Community Medical Centers, Inc. contributes 5% of each eligible employee's gross salary. Employees can also contribute to the plan but are not required to do so. The funds are immediately vested when paid into the plan. The plan is based on the IRS code and must comply with all IRS code requirements. Morehouse Community Medical Centers, Inc. contributions to the plan for the year ended July 31, 2014 were \$82,221 and employees contributed \$12,910.

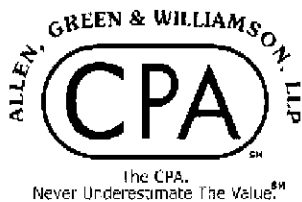
**Morehouse Community Medical Centers, Inc.**  
**Notes to the Basic Financial Statements**  
**July 31, 2014**

**NOTE 10 - CONCENTRATIONS** The Morehouse Community Medical Centers, Inc. receives a Consolidated Health Centers grant from the Department of Health and Human Services. The total received on the grant for the year ended July 31, 2014 was \$1,291,504 which was 32% of total revenue received. The original grant was a three year grant from September 1, 2007 through October 31, 2010. The grant was renewed and the project period now ends October 31, 2015.

**NOTE 11 - ACCOUNTS AND SALARIES PAYABLE** Accounts and salaries payable consists of the following:

Accounts payable	\$ 56,388
Salaries payable	<u>37,630</u>
Total	<u><u>\$ 94,018</u></u>





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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

The Board of Directors  
Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Morehouse Community Medical Centers, Inc. (a nonprofit organization) which comprise the statement of financial position as of July 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 11, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morehouse Community Medical Centers, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morehouse Community Medical Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Morehouse Community Medical Centers, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morehouse Community Medical Centers, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morehouse Community Medical Centers, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morehouse Community Medical Centers, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended purpose of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
November 11, 2014



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Diane Ferschoff, CPA  
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(Retired) 1963 - 2000

## Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

### Independent Auditor's Report

The Board of Directors  
Morehouse Community Medical Centers, Inc.  
Bastrop, Louisiana

#### **Report on Compliance for Each Major Federal Program**

We have audited Morehouse Community Medical Centers, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Morehouse Community Medical Centers, Inc. major federal programs for the year ended July 31, 2014. Morehouse Community Medical Centers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Morehouse Community Medical Centers, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morehouse Community Medical Centers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Morehouse Community Medical Centers, Inc.'s compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Morehouse Community Medical Centers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2014.

### **Report on Internal Control Over Compliance**

Management of Morehouse Community Medical Centers, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morehouse Community Medical Centers, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morehouse Community Medical Centers, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Although the intended purpose of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
November 11, 2014

Morehouse Community Medical Centers, Inc.

Schedule of Expenditures of Federal Awards  
For the Year Ended July 31, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA <u>Number</u>	Pass-Through <u>Grantor No.</u>	<u>Expenditures</u>
<b>CASH FEDERAL AWARDS</b>			
Department of Health and Human Services			
Direct Programs:			
Consolidated Health Centers Cluster:			
Consolidated Health Centers	93.224	H80CS08764	\$ 883,080
ACA - New Access Point	93.527	H80CS08764	<u>408,424</u>
Total Department of Health and Human Services (Cluster Total)			1,291,504
ACA - Grants for School Based Health Centers (Capital Expenditures)	93.501	C12C521906	<u>221,079</u>
Total Federal Awards			<u>\$ 1,512,583</u>

**Morehouse Community Medical Centers, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended July 31, 2014**

**NOTE 1 - GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Morehouse Community Medical Centers, Inc. Morehouse Community Medical Centers, Inc. reporting entity is defined in Note 1 to Morehouse Community Medical Centers, Inc. basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

**NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America. The federal revenue is included in the grant revenue reported in the Statement of Activities of the Medical Centers' financial statements.

**NOTE 4 - MATCHING REVENUES** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**Morehouse Community Medical Centers, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended July 31, 2014**

**PART I - Summary of the Auditor's Results**

**Financial Statement Audit**

- i. The type of audit report issued was unmodified.
- ii. There were no significant deficiencies reported which would be required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Audit of Federal Awards**

- iv. There were no significant deficiencies reported which would be required to be disclosed by OMB Circular A-133.
- v. The type of report the auditor issued on compliance for major programs was unmodified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs are:  
  
Consolidated Health Centers Cluster:  
CFDA #93.224 Consolidated Health Centers  
CFDA #93.527 ACA – New Access Points
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does qualify as a low-risk auditee under OMB Circular A-133, Section .530.

**Morehouse Community Medical Centers, Inc.**

## **OTHER INFORMATION**





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(Retired) 1963 - 2000

## Management Letter

To the Board of Directors  
Morehouse Community Medical Centers  
Bastrop, Louisiana

In planning and performing our audit of the financial statements of Morehouse Community Medical Centers, Inc. as of and for the year ended July 31, 2014, we considered the Medical Center's internal control to plan our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during the performance of our procedures, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 11, 2014 on the financial statements of the Medical Center. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Our comments and management's response are summarized below:

### **2014-M1**

### **Cash Management-Health and Human Services Grant**

**Comment:** In testing of the drawdowns of federal revenue for the 330 grant, it was noticed that the initial support for the drawdowns were not maintained at the time of the request was made. Although the Medical Center did treat the grant as a cost reimbursement grant and spent the funds before they were received, the organization had to recreate the support for the drawdown.

**Recommendation:** Drawdowns for federal grants should be made timely and should agree to the expenses charged to the grant. Adequate support for the expenses related to each draw should be kept with a copy of each draw. There should not be a significant lag between the expenditure payment and the draw from the grant.

**Management's response:** We agree with the recommendation and will improve our documentation process for drawn down requests.

**2014-M2**

**Vendor Disbursements**

**Comment:** In testing of 57 vendor disbursements, the following exceptions were noted:

- There were two exceptions where the invoice was not properly approved.
- There was one exception where the invoice was paid late.
- There were two exceptions where a purchase order was not used.
- There were two exceptions where the charge was coded to the wrong general ledger account code.
- There was one exception where the invoice was coded to a different account in the general ledger other than the account written on the invoice.

**Recommendation:** The Medical Center should establish review procedures to ensure disbursements are approved, paid timely, charged to the proper accounts and in accordance with policy.

**Management's response:** Despite the exceptions, we do believe that our processes are effective. However, we will strengthen our invoice review process to further improve adherence to policies

Our procedures are designed primarily to enable us to form an opinion on the financial statements of the Medical Center, as of and for the year ended July 31, 2014, which collectively comprise the Medical Center's basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

Also included are management's responses to our current year management letter items. We have performed no audit work to verify the content of the responses.

This report is intended solely for the information and use of the Board of Directors, management, others within the Medical Clinic, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
November 11, 2014

